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PUBLIC COUNSEL SAYS FP&L AND PROGRESS OVERSTATED THEIR REQUESTS FOR HURRICANE SURCHARGES

Tallahassee— Florida's Public Counsel has challenged Florida Power and Light (FP&L) and Progress Energy Florida proposals to increase rates by more than \$600 million for 2004 storm damages in testimony filed this week with the Florida Public Service Commission that recommends eliminating two-thirds of the proposed rate increases.

Public Counsel witnesses, in their testimony, suggest that FP&L's \$356 million proposed increase be reduced to \$46 million. Progress Energy's proposed increase of \$252 million should be cut in half, according to the Public Counsel filings.

"Both FP&L and Progress Energy included in their requests many of the costs that customers already pay through basic rates," said Public Counsel Harold McLean. "By failing to subtract the normal expenses that are included in existing rates from the storm rate increases, both companies would be compensated twice for the same services. That's not fair to customers."

The major exception that Public Counsel takes with the FP&L and Progress requests relates to the companies' request to require customers to pay for the full amount of the hurricane restoration efforts without any contribution from stockholders. "Both FP&L and Progress are currently earning between 12.5% and 13% on their investments in Florida and neither company proposes that stockholders should bear any of the cost burdens from the hurricanes," McLean stated. "It's an affront to customers who already have been hurt to suggest that we should now pay the total cost of hurricane restoration."

Public Counsel witnesses, in their testimony, point out that both companies have existing agreements that have been approved by the FPSC that would not allow the companies to increase their rates until their earnings have dropped below 10%. If the FPSC upholds the Public Counsel's position, it would require the company stockholders to share in the hurricane restoration costs.

"Both FP&L and Progress Energy's requests would place the entire risk of storm damage on its customers," said McLean. "Investors are paid to assume risks. In Florida, that includes the risk of hurricane damage."

In addition, Public Counsel has object to a recent request by FP&L to increase their recovery of storm expenses by \$180 million. The FPSC has not yet ruled on FP&L's amended proposal.